

## Message Text

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13

ACTION NEA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 IO-14 AID-20 OMB-01 DRC-01 EB-11 /137 W

----- 040990

R 080634Z JAN 74

FM AMCONSUL KARACHI

TO SECSTATE WASHDC 7749

INFO AMEMBASSY ISLAMABAD

AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: EIND, PK

SUBJECT: PRIME MINISTER BHUTTO AND FINANCE MINISTER HASAN

MEET WITH REPRESENTATIVES OF BUSINESS COMMUNITY

REF: KARACHI 0009

SUMMARY: LONG AWAITED MEETING BETWEEN MINFINANCE MUBASHIR HASAN AND BUSINESS COMMUNITY TO EVOLVE "CHARTER" FOR FUTURE INVESTMENT IN PRIVATE SECTOR TOOK PLACE IN KARACHI ON AFTERNOON DEC. 31, 1973. DESPITE CONSIDERABLE ADVANCE OPTIMISM CONCERNING MEETING, THE THREE-HOUR SESSION WITH MUBASHIR FOLLOWED BY A 10-MINUTE APPEARANCE AND SPEECH BY PRIMIN BHUTTO, RESTORED NO CONFIDENCE TO PRIVATE SECTOR, SINCE OLIVE BRANCH MUBASHIR BELIEVED TO BE CARRYING TURNED OUT TO BE MORE LIKE CUSTOMARY STICK. HE GAVE FAVORABLE RECEPTION TO NONE OF BUSINESS PROPOSALS AND PRIMIN BHUTTO'S ASSURANCES EQUALLY VAGUE. ANNOUNCEMENT AT MIDNIGHT, SOME HOURS LATER, OF NATIONALIZATION NON-FOREIGN OWNED BANKING, OIL DISTRIBUTION, AND SHIPPING, ONLY RENDERED MORE HOLLOW THE OVERALL EFFECT OF THIS LONG-AWAITED MEETING. END SUMMARY.

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1. DU\*\*NG\*SPEECHAT LAHORE SEPT. 9, 1973, PRIMIN BHUTTO HAD MENTIONED HIS INTEREST IN WORKING OUT CLEARER RELATIONSHIP BETWEEN THE PUBLIC AND PRIVATE INDUSTRIAL SECTORS. ON NOV. 1, 1973 IN KARACHI HE SPECIFICALLY MENTIONED DESIRE TO EVOLVE A "CHARTER" FOR PRIVATE SECTOR, UNDER WHICH INVESTMENT COULD BE UNDERTAKEN WITH MORE CERTAINTY THAN HAS EXISTED SINCE THE TAKING OVER OF THE 32 INDUSTRIES IN EARLY 1972. PRIMIN BHUTTO'S CONTINUED INTEREST IN SUCH A CHARTER AND DESIRE MEET WITH BUSINESS LEADERS REITERATED ON NOV. 19 AT TRI-PARTITE LABOR CONFERENCE IN ISLAMABAD.

2. IN PREPARATION FOR MEETING ON CHARTER WITH MINFIN MUBASHIR HASAN, FEDERATION PAKISTAN CHAMBERS COMMERCE RCAND INDUSTRY (FPCCI) HELD ONE MEETING IN LAHORE DEC. 8 AND SECOND MEETING IN KARACHI DEC. 29. FROM THESE MEETINGS SERIES OF PROPOSALS DEVELOPED BY FPCCI WHICH WERE PRESENTED TO MUBASHIR DURING DEC. 31 MEETING.

3. ALTHOUGH CONGEN HAS NOT BEEN GIVEN FULL TEXT OF FPCCI PROPOSALS, ITS SEC GEN AND NUMBER OF TOP BUSINESSMEN WHO ATTENDED MEETING HAVE INFORMED US PROPOSALS CONCENTRATED ON REQUEST FOR "JUSTICIABLE" (I.E. WITH RESORT TO COURTS) COMPENSATION FOR NATIONALIZED INDUSTRIES, PERMISSION FOR PRIVATE ENTERPRISE TO ENTER ALL SECTORS ON EQUAL TERMS WITH PUBLIC ENTERPRISE, AND FOR REDUCTION IN PRESENT INCIDENCE OF TAXATION. FPCCI REQUEST FOR "JUSTICIABLE" COMPENSATION, (NOW PREVENTED BY CONSTITUTION), DREW A BROAD REPLY FROM PRIMIN BHUTTO CONCERNING POSSIBILITY MINOR AMENDMENTS TO CONSTITUTION BUT NONE OF A FUNDAMENTAL NATURE. REQUEST FOR LOWER TAXES ANSWERED BY MUBASHIR WITH RHETORICAL QUESTION AS TO WHERE GOP WAS TO COLLECT REVENUES NECESSARY FOR DEVELOPMENT IF NOT FROM BUSINESS, WHILE BHUTTO MADE ANOTHER GENERAL STATEMENT THAT TAXATION ALWAYS UNDER REVIEW, ESPECIALLY BEFORE PRESENTATION NATIONAL BUDGET. NO ASSURANCES EMANATED EITHER FROM MUBASHIR OR BHUTTO CONCERNING SANCTITY ANY SECTORS FOR PRIVATE INVESTMENT IN FUTURE. IN FACT, PRIMIN SAID HE COULD MAKE NO COMMITMENTS, PARTICULARLY FOR PERIOD AFTER NEXT ELECTION WHEN LIMITED OFFICIAL USE

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PPP MANIFESTO WOULD PERFORCE BE REDRAFTED.

4. IN RESPONSE TO FPCCI REQUEST FOR ASSURANCE CONCERNING THE SANCTITY FUTURE INVESTMENTS MUBASHIR LECTURED ASSEMBLED BUSINESSMEN THAT THEY MUST SET UP "NORMS" FOR ACCEPTABLE BEHAVIOR AND THAT THEY SHOULD WEED OUT "BLACK SHEEP" AMONG THEMSELVES OR INFORM HIM SO THAT HE COULD DO JOB. MUBASHIR REITERATED

STATEMENT HE HAS MADE ON MANY PREVIOUS OCCASIONS THAT  
INDUSTRY WILL BE ALLOWED MAKE PROFIT BUT NOT AT COST  
OF PEOPLE, GOVERNMENT OR SHARE HOLDERS. HE STATED  
THAT THIS ASSURANCE SHOULD BE SUFFICIENT GUARANTEE  
FOR THE PRIVATE SECTOR TO GO AHEAD WITH FURTHER DEVELOP-  
MENT FOR THE GOOD OF THE COUNTRY.  
TIGER

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ACTION NEA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

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TO SECSTATE WASHDC 7750  
INFO AMEMBASSY ISLAMABAD  
AMCONSUL LAHORE

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5. ATMOSPHERICS: ALL THOSE BUSINESSMEN AND TRADE  
BODY OFFICIALS WITH WHOM CONGENOFF HAS SPOKEN FOLLOW-  
ING THE MEETING CAME AWAY WITH UNFAVORABLE IMPRESSION  
OF MUBAS\*H\*'S ATTITUDES AND HIS REPLIES TO SEVERAL PRO-  
POSALS PUT TO HIM. HIS MANNER HAS BEEN REPORTED AS  
BOTH PETTY AND HOSTILE. MOST TENSE PART OF MEETING CAME  
TOWARD MIDDLE WHEN A.K. SUMAR, CHAIRMAN MOHAMMAD  
FAROOQ TEXTILE MILLS, ROSE TO SAY THAT IT WAS BUSINESS  
SECTOR WHICH HAD BUILT UP PAKISTAN INTO COUNTRY IT WAS  
TODAY AND THAT ONLY RECOGNITION THESE SERVICES THAT HAD  
BEEN GIVEN BY GOP WAS THE NATIONALIZATION OF PAK BUSINESS  
WHILE FOREIGN BUSINESS WAS LEFT FREE. IN REPLY  
MUBASHIR HEATEDLY DECLARED IT WAS ATTITUDE OF PEOPLE  
LIKE SUMAR WHICH HAD CAUSED BREAK-UP OF PAKISTAN IN  
1971 AND THAT COUNTRY WAS NO LONGER AVAILABLE FOR EXPLOITA-  
TION BY HIS ILK.

6. COMMENT: IT NOW CLEAR BHUTTO STATEMENT CONCERNING "ADEQUATE COMPENSATION" FOR NATIONALIZED INDUSTRIES REFERRED TO ACTION AGAINST BANKS, OIL, AND SHIPPING TO TAKE EFFECT A FEW HOURS AFTER MEETING. SO FAR AS SECY GENL OF FPCCI KNOWS, NO GOP RESPONSE HAS YET BEEN MADE TO REQUEST FOR BETTER TERMS OF COMPENSATION TO SHARE HOLDERS IN ORIGINAL 32 TAKEN-OVER INDUS-  
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WHERE FPCCI HAD REQUESTED EITHER SHARE OR BREAK-UP VALUE, WHICHEVER HIGHER, RATHER THAN WHICHEVER LOWER, AS AT PRESENT. HE DOUBTS WHETHER IMPROVED TERMS WILL BE GIVEN. MANY OF THOSE PRESENT AT MEETING NOW WONDER WHY WHOLE THING WAS NOT CANCELLED IN VIEW OF JAN 1 NATIONALIZATION MEASURES, AND BELIEVE THAT GENERAL EFFECT OF MEETING AND ITS TIMING HAS BEEN ONLY TO CONFIRM VIEWS OF WORST PESSIMISTS CONCERNING ANY IMPORTANT ROLE FOR PRIVATE SECTOR IN GOP PLANS FOR ECONOMIC DEVELOPMENT OF PAKISTAN.  
TIGER

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## Message Attributes

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